



Health Services
LOS ANGELES COUNTY

June 19, 2007

**Los Angeles County
Board of Supervisors**

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The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

THE COMMUNITY HEALTH PLAN
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services, or his designee, (hereafter "Director") to execute Amendment No. 5 to Agreement No. H-213197, substantially similar to Exhibit I, with Alert Communications Company (Alert) for the continued provision of 24-hour telephone answering support services and the addition of outbound voice blast system services for all Community Health Plan product lines, effective July 1, 2007 through June 30, 2008, at an estimated annual maximum obligation of \$273,000, with a provision for three annual renewals through June 30, 2011, upon written mutual agreement by both parties.
2. Approve and instruct the Director to execute Amendment No. 3 to Agreement No. H-207932, substantially similar to Exhibit II, with National Medical Health Card Systems, Inc. (NMHC) for the continued provision of pharmacy benefit management services, effective July 1, 2007 through June 30, 2008, at an estimated annual maximum obligation of \$18.200 million, with a provision for a one year renewal through June 30, 2009, upon written mutual agreement by both parties.
3. Approve and instruct the Director to: a) execute Amendment No. 1 to Agreement No. H-207541, substantially similar to Exhibit III, with PacifiCare Behavioral Health of California, Inc. (PacifiCare), for the continued provision of behavioral health services to members of the Personal Assistance Services Council-Service Employees International Union (PASC-SEIU) Homecare Workers Health Care Plan, effective July 1, 2007 through June 30, 2008, at an estimated annual maximum obligation of \$2.574 million, with provision for three annual renewals through June 30, 2011, upon written mutual agreement by both parties, and b) delegate authority to the Director to execute an Approval of Delegation of Duties and Assignment of Rights of Agreement from PacifiCare to United Behavioral Health (United) upon United's full licensure from the State Department of Managed Health Care to operate as a Knox-Keene organization in California, which is expected to be completed by the end of 2007.
4. Delegate authority to the Director to execute future Amendments to Alert, NMHC, and PacifiCare during the extension terms of the Agreements to: a) incorporate new or revised County standard provisions, b) make appropriate changes to the Agreements to improve clarity and/or correct errors and

omissions, and c) adjust rates as appropriate to conform with industry guidelines and practices that apply to the activities described in each Agreement, subject to review and approval by County Counsel and the Chief Administrative Office.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:

The Department of Health Services (DHS or Department) is recommending approval of the above actions to ensure the continued provision of: a) 24-hour telephone answering support services, and b) pharmacy benefit management (PBM) services for all CHP product lines, and c) behavioral health services for Members of the PASC-SEIU Homecare Workers Health Care Plan.

The Department is also recommending approval of the addition of outbound voice blast services with Alert. As the dynamics of the healthcare industry continue to evolve, the CHP has recognized the need for a more efficient and effective way to serve its members than the traditional telephone call delivery system. The outbound phone blast system is an automated broadcast system that allows sending pre-recorded messages simultaneously to hundreds of targeted CHP members quickly and permits CHP to immediately evaluate results. For the initial implementation of the service, the CHP will launch campaign calls that are focused on: a) member retention by welcoming new CHP members and providing them with information about CHP, b) well child care and well care, including Initial Health Assessment, programs to reinforce the importance of preventive health screening and encourage members to access care, and c) appointment reminder calls to remind members to keep their appointments and doctors visits. The implementation of this service will reduce the costs and length of time associated with traditional "live operators", and increase awareness by members about CHP and the programs it offers, thus improving member satisfaction and CHP compliance with State and other regulatory requirements, e.g. Health Plan Employer Data and Information Set, encounter data, etc.

By delegating authority to the Department to execute future Amendments to Alert, NMHC, and PacifiCare, required County standard provisions can be incorporated into the pertinent Agreements with no delay, that changes in operational and programmatic requirements, as well as adjustments in financial consideration, are implemented quickly for the provision of services to CHP Members.

FISCAL IMPACT/FINANCING:

The total County estimated annual maximum obligation is \$21,047,000, of which \$273,000 is for Alert, \$18,200,000 is for NMHC, and \$2,574,000 is for PacifiCare. Funding is 100% revenue offset by State, federal, and local funds received from L.A. Care Health Plan for Medi-Cal Managed Care Program, State's Managed Risk Medical Insurance Board for Healthy Families Program, Personal Assistance Services Council (PASC) for the PASC-SEIU Homecare Worker Health Care Plan, and premiums collected through the County's health plan for County Temporary Employees.

Calculations of the estimated annual maximum obligations for the above Amendments are based on projected increases in member enrollments across all product lines per the Office of Managed Care/Community Health Plan's proposed Strategic Planning for Fiscal Year 2007-2008. The increase in the estimated maximum obligation for Alert is due to the cost of the outbound voice blast service projected at \$156,000 annually. The increase for NMHC is a result of a projected 8% nationwide pharmaceutical inflation rate.

The rates are on file with the Office of Managed Care and are confidential. The payment rates have been shared with each Board Office, the Chief Administrative Office, and County Counsel.

Funding and offsetting revenue has been requested in the Fiscal Year 2007-08 Final Change Budget Request and will be requested in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The CHP is a full-service Knox-Keene licensed (1985) and federally qualified Health Maintenance Organization (1988) publicly operated by the County of Los Angeles and administered by the Department's Office of Managed Care, providing health services at low or no cost through the Medi-Cal Managed Care Program, Healthy Families Program, and PASC-SEIU Homecare Worker Health Care Plan.

Alert

On November 20, 2001, the Board approved the agreement for the provision of 24-hour telephone answering support services to permit CHP Members and providers from Medi-Cal Managed Care Program/County Temporary Employee Program, Healthy Families Program, and PASC-SEIU Homecare Worker Health Care Plan to use 24-hour telephone answering support services relating to member eligibility, health care, urgent care and emergency services as required under CHP's Knox-Keene license.

On several subsequent occasions, the Board approved Amendments to the Agreement to supplement funding and extend the term through June 30, 2007. The Department is recommending an extension of the Agreement term effective July 1, 2007 through June 30, 2008, with a provision for three annual renewals through June 30, 2011, upon mutual written agreement by both parties.

NMHC

On November 19, 2002, the Board approved a sole source Agreement with Pharmaceutical Care Network (PCN) for the provision of pharmaceutical benefit management services for CHP and its Countywide pharmacy network consisting of: 1) on-line claims processing and adjudication for the CHP pharmacy network; 2) claims monitoring; 3) CHP pharmacy network maintenance and credentialing; 4) drug utilization review; and 5) provision of various administrative, financial and drug utilization reports. On June 29, 2004, the Board approved Amendment No. 1 to the Agreement for the extension of pharmaceutical benefit management services through June 30, 2007. Subsequently on June 21, 2005, the Board approved Amendment No. 2 delegating the duties and assigning the rights of the Agreement with PCN to NMHC, as a result of PCN's acquisition by NMHC.

The Department is recommending an extension of the agreement for one year effective July 1, 2007, with a provision for a one year renewal through June 30, 2009, upon mutual written agreement by both parties.

PacifiCare

On June 18, 2002, the Board approved a sole source Agreement with PacifiCare Behavioral Health of California, Inc. for required behavioral health services for members of the PASC-SEIU Homecare Workers Health Care Plan, effective July 1, 2002 through June 30, 2007. The Department is recommending an extension of the term of the Agreement through June 30, 2008, with a provision for three annual renewals through June 30, 2011, upon mutual agreement by both parties.

On December 27, 2005, United Health Group, a Minnesota-based company that owns United Behavioral Health, purchased PacifiCare Health Systems, the principal owner of PacifiCare. Since then, PacifiCare's operations have been informally merged with United Behavioral Health pending the successful

completion and receipt of full licensure from the State Department of Managed Health Care to operate as a Knox-Keene organization in California, which is expected to be completed by the end of 2007. Upon receipt of the necessary licensing and other pertinent contract documents, the Department intends to delegate the Agreement with PacifiCare to United Behavioral Health effective upon full execution of the Assignment and Delegation Amendment by all parties.

Attachment A provides additional information.

Exhibits I, II, and III have been approved as to form by County Counsel.

CONTRACTING PROCESS:

NMHC, formerly PCN, was selected on a sole source basis. The company is exclusively involved with the business of prescription drug program management and administering managed care pharmacy programs, including the maintenance of network contracted pharmacies, pharmacy claims administration, and preparation of prescription drug management and utilization.

The sole source Agreement with PacifiCare is required to comply with the PASC-SEIU Homecare Health Care Plan health benefits.

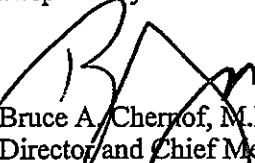
Each of the agreements was a result of a sole source selection process. The Sole Source Letters for each Agreement are on file with the Department.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The services provided to CHP members will continue uninterrupted.

When approved, this Department requires four signed copies of the Board's actions.

Respectfully submitted,



Bruce A. Chernof, M.D.
Director and Chief Medical Officer

BAC:ln/ss
BL - OMC CHP.ds.wpd

Attachments (4)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

SUMMARY OF AGREEMENTS

1. Type of Services:

Alert Communications Company (Alert)

24-Hour Telephone Answering Support Services and Outbound Voice Blast System

National Medical Health Card Systems, Inc. (NMHC)

Pharmacy Benefit Management (PBM) Services for the CHP Countywide network includes: 1) on-line claims processing and adjudication for CHP; 2) claims monitoring; 3) CHP pharmacy network maintenance and credentialing; 4) drug utilization review; and 5) provision of various administrative, financial, and drug utilization reports. The CHP pharmacy network includes County operated pharmacies and NMHC's subcontracted pharmacies.

PacifiCare Behavioral Health of California, Inc. (PacifiCare)

Behavioral Health Services

2. Agency and Contact Person:

Alert Communications Company
5515 York Boulevard
Los Angeles, California 90042
Attention: John Houssman, CFO
Telephone: (323) 254-7174

National Medical Health Cards Systems, Inc.
23 British American Boulevard
Latham, NY 12110
Attention: Patrick McLaughlin, President
Telephone: (518) 213-1609

PacifiCare Behavioral Health of California, Inc.
7632 South West Durham Road, Suite 300
Tigard, Oregon 97224
Attention: Thomas Woodruff, Account Director
Telephone: (503) 603-3143

3. Term:

Contractor	Agreement No./ Amendment No.	Term / Effective Date
Alert	H-213197 / Amendment No. 5	July 1, 2007 through June 30, 2008, with provisions for three annual renewals through June 30, 2011, upon mutual agreement by both parties.
NMHC	H-207932 / Amendment No. 3	July 1, 2007 through June 30, 2008, with provision for one year renewal through June 30, 2009, upon mutual written agreement by both parties.
PacifiCare	H-207541 / Amendment No. 1	July 1, 2007 through June 30, 2008, with provisions for three annual renewals through June 30, 2011, upon mutual written agreement by both parties.

4. Financial Information:

The total County estimated annual maximum obligation is \$21,047,000, of which \$273,000 is for Alert, \$18,200,000 is for NMHC, and \$2,574,000 is for PacifiCare. Funding is 100% revenue offset by State, Federal, and local funds received from L.A. Care Health Plan for Medi-Cal Managed Care Program, State's Managed Risk Medical Insurance Board for Healthy Families Program, Personal Assistance Services Council (PASC) for the PASC-SEIU Homecare Worker Health Care Plan, and premiums collected through the County's health plan for County Temporary Employees.

Calculations of the estimated annual maximum obligations for the above Amendments are based on projected increases in member enrollments across all product lines per the Office of Managed Care/Community Health Plan's proposed Strategic Planning for Fiscal Year 2007-2008. .

The rates are on file with the Office of Managed Care and are confidential. The payment rates have been shared with each Board Office, the Chief Administrative Office, and County Counsel.

Funding and offsetting revenue has been requested in the Fiscal Year 2007-08 Final Change Budget Request and will be requested in future fiscal years.

5. Geographical Area To Be Served:

All Districts.

6. Accountable for Monitoring:

Office of Managed Care

7. Approvals:

Office of Managed Care:	Teri Lauenstein, Director
Contract Administration:	Cara O'Neill, Chief
County Counsel:	Eddie Yen, Deputy County Counsel